

COMMUNITY BASED SERVICES
A PROPRIETARY FUND OF BREMER COUNTY, IOWA
WAVERLY, IOWA

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2011

COMMUNITY BASED SERVICES
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

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COMMUNITY BASED SERVICES
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

BOARD OF DIRECTORS
JUNE 30, 2011

<u>NAME</u>	<u>TITLE</u>
Brad McCalla	President
Angela Nelson	Vice President
Dawn Everding	Secretary
Steve Reuter	Director
Ken Kammeyer	Director
Tim Neil	Director
Ivan Mallie	Director

INDEPENDENT AUDITOR'S REPORT

Bremer County Board of Supervisors
Waverly, Iowa

We have audited the financial statements of Community Based Services, a proprietary fund of Bremer County, Iowa, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Community Based Services, a proprietary fund of Bremer County, Iowa's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only Community Based Services, a proprietary fund of Bremer County, Iowa and do not purport to, and do not, present fairly the financial position of Community Based Services, a proprietary fund of Bremer County, Iowa, as of June 30, 2011, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Based Services, a proprietary fund of Bremer County, Iowa, at June 30, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 16, 2012 on our consideration of Community Based Services, a proprietary fund of Bremer County Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 5 and 17 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
February 16, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Community Based Services, a proprietary fund of the Bremer County, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the Organization's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The Organization's operating revenues increased 47% or \$1,355,446, from fiscal year 2010 to fiscal year 2011. Increases in revenue from patient fees accounted for the majority of this increase.

The Organization's operating expenses increased 53% or \$1,488,335, from fiscal year 2010 to fiscal year 2011. This increase in operating expenses is due primarily to an increase in salary and contract labor due to an increase in the units of services provided.

The Organization's net assets decreased 11% or \$40,357, from fiscal year 2010 to fiscal year 2011.

USING THIS ANNUAL REPORT

Community Based Services, a proprietary fund of the Bremer County, Iowa, operates as a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to Community Based Services, a proprietary fund of Bremer County, Iowa's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Organization's financial activities.

The Statement of Net Assets presents information on the Organization's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Organization's operating revenues and expenses, non-operating revenues and expenses and whether the Organization's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Organization's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Organization financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information presents the Schedule of Funding Progress for the Retiree Health Plan.

FINANCIAL ANALYSIS OF THE ORGANIZATION

Statements of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Organization's financial position. The Organization's net assets at June 30, 2011 total \$330,911. This compares to \$371,268 for fiscal year 2010. A summary of the Organization's net assets as of June 30, 2011 and 2010 is presented on page 4.

NET ASSETS

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Current assets	\$ 468,967	\$ 383,224
Capital assets at cost, less accumulated depreciation	267,356	269,366
Other assets	<u>56,000</u>	<u>56,000</u>
Total assets	<u>792,323</u>	<u>708,590</u>
Current liabilities	416,455	308,540
Long-term Liabilities	<u>44,957</u>	<u>28,782</u>
Total liabilities	<u>461,412</u>	<u>337,322</u>
Net assets	\$ <u>330,911</u>	\$ <u>371,268</u>

The Organization's unrestricted net assets account for 19% of total net assets and can be used to meet the Organization's obligations as they come due.

Statements of Revenues, Expenses and Changes in Net Assets

Operating revenues are received from patient fees and rent. Operating expenses are expenses paid to run the Organization. Non-operating revenues and expenses include interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2011 and 2010 is presented below:

CHANGES IN NET ASSETS

	<u>Year ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Operating revenue:		
Patient fees	\$ 4,165,241	\$ 2,819,727
Rent	<u>60,989</u>	<u>51,057</u>
Total operating revenue	<u>4,226,230</u>	<u>2,870,784</u>
Operating expenses:		
Salaries	1,864,025	1,115,676
Contract labor	1,416,230	1,128,377
Payroll taxes	128,857	81,004
Employee benefits	533,486	305,744
Employee relations	38,366	8,547
Advertising	9,186	1,284
Computer maintenance support	22,636	-
Office and general	41,591	15,780
Insurance	20,589	15,232
Direct consumer expense	9,300	9,309
Rent expense	973	11,322
Repairs and maintenance	35,406	19,917
Professional fees	18,371	4,786
Telephone	24,866	22,450
Utilities	20,285	14,210
Staff meals	4,256	4,441
Travel	57,373	20,846
Depreciation	42,579	22,591
Dues and memberships	4,875	2,479
Medical	690	3,274
Miscellaneous	<u>2,674</u>	<u>1,010</u>
Total operating expenses	<u>4,296,614</u>	<u>2,808,279</u>
Operating income (loss)	(70,384)	62,505
Non-operating revenues:		
Interest income	<u>-</u>	<u>8</u>
Net income (loss) before other financing sources	(70,384)	62,513
Other financing sources:		
Transfers in	<u>30,027</u>	<u>-</u>
Change in net assets	(40,357)	62,513
Net assets - Beginning of year, as restated	<u>371,268</u>	<u>308,755</u>
Net assets - End of year	\$ <u>330,911</u>	\$ <u>371,268</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a decrease in the net assets at the end of the fiscal year.

In fiscal year 2011, operating revenues increased 47% or \$1,355,446, primarily due to an increase in the amount of patients served. Operating expenses increased 53% or \$1,488,335, primarily due to an increase in expenses associated with the increase in patients served.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related investing and financing activities. Cash provided by operating activities includes patient fees and other receipts reduced by payments to suppliers and employees. Cash provided by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2011, the Organization had \$658,675 invested in capital assets, net of accumulated depreciation of \$391,319. Depreciation charges totaled \$42,579 for fiscal year 2011. More detailed information about the Organization's capital assets is presented in the Note 3 to Financial Statements.

LONG-TERM DEBT

At June 30, 2011, the Organization's long-term debt consisted of net OPEB liability of \$44,957. Additional information about the Organization's long-term liabilities is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

Community Based Services, a proprietary fund of Bremer County, Iowa, financial position increased during the current fiscal year. However, the current condition of the economy in the State continues to be a concern for Organization officials. Some of the realities that may potentially become challenges for the Organization to meet are:

Due to state wide budget cuts, the Organization is vulnerable to decreases in funding and we will maintain a close watch over resources to maintain our ability to react to this and any other unknown issues.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Organization's finances and to show the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Community Based Services, 403 3rd Street SE, Waverly, Iowa 50677.

BASIC FINANCIAL STATEMENTS

COMMUNITY BASED SERVICES
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

STATEMENT OF NET ASSETS

JUNE 30, 2011

ASSETS

CURRENT ASSETS:

Accounts receivable	\$ 443,402
Prepaid insurance	9,672
Other prepaid expenses	653
Lease receivable	<u>15,240</u>
Total current assets	<u>468,967</u>

PROPERTY AND EQUIPMENT:

Buildings and improvements	490,388
Furniture	41,012
Equipment and vehicles	<u>127,275</u>
Total	658,675
Less accumulated depreciation	<u>391,319</u>
Book value of property and equipment	<u>267,356</u>

OTHER ASSETS:

Notes receivable	<u>56,000</u>
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TOTAL ASSETS 792,323

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Excess of outstanding checks over bank balance	51,237
Accounts payable	167,356
Accrued payroll	86,215
Accrued compensated absences	70,521
Cost report settlement	30,000
Deferred revenues	54
Deferred insurance settlement	<u>11,072</u>
Total current liabilities	<u>416,455</u>

LONG-TERM LIABILITIES:

Net OPEB obligation	<u>44,957</u>
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TOTAL LIABILITIES 461,412

NET ASSETS:

Invested in capital assets, net of related debt	267,356
Unrestricted	<u>63,555</u>

TOTAL NET ASSETS \$ 330,911

See Accompanying Notes to the Financial Statements

COMMUNITY BASED SERVICES
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011

OPERATING REVENUE:

Patient fees	\$ 4,165,241
Rent	60,989
Total operating revenue	<u>4,226,230</u>

OPERATING EXPENSES:

Salaries	1,864,025
Contract labor	1,416,230
Payroll taxes	128,857
Employee benefits	533,486
Employee relations	38,366
Advertising	9,186
Computer maintenance support	22,636
Office and general	41,591
Insurance	20,589
Direct consumer expenses	9,300
Rent expense	973
Repairs and maintenance	35,406
Professional fees	18,371
Telephone	24,866
Utilities	20,285
Staff meals	4,256
Travel	57,373
Depreciation	42,579
Dues and memberships	4,875
Medical	690
Miscellaneous	2,674
Total operating expenses	<u>4,296,614</u>

OPERATING LOSS (70,384)

OTHER FINANCING SOURCES:

Transfers in	<u>30,027</u>
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CHANGE IN NET ASSETS (40,357)

NET ASSETS - Beginning of year, as restated 371,268

NET ASSETS - End of year \$ 330,911

COMMUNITY BASED SERVICES
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 4,034,346
Cash paid to suppliers for goods and services	(2,189,518)
Cash paid for employees and employment taxes	(1,927,456)
NET CASH USED IN OPERATING ACTIVITIES	<u>(82,628)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers from other funds	<u>30,027</u>
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CASH FLOWS FROM CAPITAL ACTIVITIES:

Purchase of property and equipment	<u>(40,569)</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS (93,170)

CASH AND CASH EQUIVALENTS - Beginning of year 93,170

CASH AND CASH EQUIVALENTS - End of year \$ -

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN
OPERATING ACTIVITIES:

Operating loss	\$ (70,384)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	42,579
Change in assets and liabilities:	
Increase in accounts receivable	(172,176)
Increase in lease receivable	(7,620)
Decrease in prepaid insurance	1,536
Increase in other prepaid expenses	(653)
Increase in excess of outstanding checks over bank balance	51,237
Increase in accounts payable	32,241
Increase in accrued payroll	45,067
Increase in accrued compensated absences	4,184
Decrease in cost report settlement liability	(19,708)
Decrease in deferred revenues	(515)
Decrease in deferred insurance settlement	(2,430)
Decrease in accrued other liabilities	(2,161)
Increase in net OPEB obligation	<u>16,175</u>

NET CASH USED IN OPERATING ACTIVITIES \$ (82,628)

COMMUNITY BASED SERVICES
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Community Based Services, a proprietary fund of Bremer County, Iowa, is a charitable, non sectarian organization operating to service Bremer County, Iowa to provide opportunities for people with disabilities to be actively involved in determining where and how they live, work and participate in the community.

The financial statements of the Organization are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Community Based Services, a proprietary fund of Bremer County, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The Organization has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of another organization's governing body and (1) the ability of the Organization to impose its will on another organization or (2) the potential for another organization to provide specific benefits to or impose specific financial burdens on the Organization. Community Based Services, a proprietary fund of Bremer County, Iowa, has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of Community Based Services, a proprietary fund of Bremer County, Iowa, are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Organization applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Organization distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Organization's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

COMMUNITY BASED SERVICES
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash, Investments and Cash Equivalents

The Organization considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Accounts Receivable

The Organization grants credit to its customers, most of whom are located in the Northeast Iowa area. Accounts receivable are considered past due after 30 days and are charged off when management determines the account is uncollectible. The risk of loss on the accounts receivable is the balance owed at time of default. Bad debts are charged to operations in the year in which the account is determined uncollectible. If the reserve method of accounting for uncollectible accounts was used, it would not have a material effect on the financial statements.

Capital Assets

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets in excess of \$5,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets.

Reportable capital assets are defined by the Organization as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of one year.

<u>Asset Class</u>	<u>Amount</u>
Buildings and improvements	\$ 5,000
Furniture	5,000
Equipment and vehicles	5,000

Capital assets of the Organization are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and improvements	20-50
Furniture	2-20
Equipment and vehicles	2-20

Compensated Absences

Organization employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Organization's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2011.

COMMUNITY BASED SERVICES
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Organization expenses advertising costs as they are incurred.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH AND INVESTMENTS

Community Based Services, a proprietary fund of Bremer County, Iowa, had deposits in banks at June 30, 2011 that were entirely covered by federal depository insurance or by the State Sinking fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Organization is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investment rate risk – The Organization's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Organization.

NOTE 3: CAPITAL ASSETS

A summary of fixed assets at June 30, 2011 is as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 490,388	\$ -	\$ -	\$ 490,388
Furniture	41,012	-	-	41,012
Equipment and vehicles	<u>86,706</u>	<u>40,569</u>	<u>-</u>	<u>127,275</u>
Total capital assets being depreciated	<u>618,106</u>	<u>40,569</u>	<u>-</u>	<u>658,675</u>
Less accumulated depreciation for:				
Buildings and improvements	254,128	20,083	-	274,211
Furniture	36,206	2,010	-	38,216
Equipment and vehicles	<u>58,406</u>	<u>20,486</u>	<u>-</u>	<u>78,892</u>
Total accumulated depreciation	<u>348,740</u>	<u>42,579</u>	<u>-</u>	<u>391,319</u>
 Total capital assets being depreciated, net	 <u>\$ 269,366</u>	 <u>\$ (2,010)</u>	 <u>\$ -</u>	 <u>\$ 267,356</u>

COMMUNITY BASED SERVICES
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3: CAPITAL ASSETS (Continued)

The following is a schedule of depreciation by amounts computed under the straight-line method for the major classifications of buildings and improvements, furniture, and equipment and vehicles and the respective depreciable lives for the year ended June 30, 2011:

		<u>Depreciable Lives</u>
Buildings and improvements	\$ 20,083	20-50 Years
Furniture	2,010	2-20 Years
Equipment and vehicles	<u>20,486</u>	2-20 Years
Total	\$ <u>42,579</u>	

NOTE 4: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	<u>Net OPEB Liability</u>
Balance beginning of year	\$ 28,782
Increases	16,175
Decreases	<u>-</u>
Balance end of year	\$ <u>44,957</u>
Due within one year	\$ <u>-</u>

NOTE 5: PENSION AND RETIREMENT BENEFITS

The Organization contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the Organization is required to contribute 6.95% of covered salary. Contribution requirements are established by state statute. The Organization's contributions to IPERS for the year ended June 30, 2011, 2010 and 2009 were \$81,735, \$74,523 and \$61,456, respectively, equal to the required contributions for each year.

NOTE 6: RISK MANAGEMENT

The Organization is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

COMMUNITY BASED SERVICES
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6: RISK MANAGEMENT (Continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Organization's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Organization's contributions to the Pool for the year ended June 30, 2011 were \$18,019.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Organization does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the Organization's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Organization also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The Organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

COMMUNITY BASED SERVICES
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7: LEASE REVENUE

The Organization leases property located in Waverly, Iowa. This lease calls for annual payments to be received in the amount of \$7,620 and is subject to the terms provided in the lease agreement. This lease agreement expires on December 31, 2105.

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Community Based Services operates under the post-employment benefit plan of Bremer County, Iowa (the County). The following are the details of the County's plan.

Plan Description – The County operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 121 active (31 of which are Community Based Services employees) and 4 retired members in the plan.

The medical coverage is provided through a fully self-funded insurance plan with stop loss coverage provided by Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 93,643
Interest on net OPEB obligation	2,810
Adjustment to annual required contribution	<u>(1,507)</u>
Annual OPEB cost	94,946
Contributions made	<u>(30,245)</u>
Increase in net OPEB cost	64,701
Net OPEB obligation beginning of year	<u>112,386</u>
Net OPEB obligation end of year	\$ <u>177,087</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the County contributed an estimated \$30,245 to the medical plan.

COMMUNITY BASED SERVICES
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2009	\$ <u>86,912</u>	35.7%	\$ <u>55,869</u>
2010	\$ <u>87,560</u>	35.5%	\$ <u>112,386</u>
2011	\$ <u>94,946</u>	31.6%	\$ <u>177,087</u>

Community Based Services' portion of the County's net OPEB obligation was \$44,957 for the year ended June 30, 2011.

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was an estimated \$648,857 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$648,857. The covered payroll (annual payroll of active employees covered by the plan) was \$6,087,027 and the ratio of the UAAL to covered payroll was 10.66%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from expected IPERS retirement dates and applying a modest termination rate.

Projected claim costs of the medical plan are \$462 per month. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 9: MAJOR REVENUE SOURCE

The Organization receives the majority of its funding from patient fees.

COMMUNITY BASED SERVICES
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 10: PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2011, it was discovered that the cost report settlement liability had not been recorded in the previous fiscal year. As a result, net assets for the year ended June 30, 2010 have been decreased by \$49,708. This resulted in the following changes to net assets as of June 30, 2010:

As previously reported June 30, 2010	\$ 420,976
Adjustments	<u>(49,708)</u>
As restated June 30, 2010	\$ <u>371,268</u>

NOTE 11: LITIGATION

The Organization's attorney reported that a civil rights complaint had been filed against the organization on August 10, 2011. Management believes the probability of loss is remote and any loss would be covered by insurance, with the exception of the deductible, which is \$2,500. No liability has been recorded as a result of this claim.

NOTE 12: EVALUATION OF SUBSEQUENT EVENTS

Community Based Services has evaluated subsequent events through February 16, 2012, the date which the financial statements were available to be issued.

COMMUNITY BASED SERVICES

SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c</u>
2009	July 1, 2008	\$ -	\$ 665,992	\$ 665,992	0.00%	\$ 5,383,631	12.37%
2010	July 1, 2008	\$ -	\$ 665,992	\$ 665,992	0.00%	\$ 5,670,368	11.75%
2011	July 1, 2008	\$ -	\$ 648,857	\$ 648,857	0.00%	\$ 6,087,027	10.66%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Bremer County Board of Supervisors

We have audited the accompanying financial statements of Community Based Services, a proprietary fund of Bremer County, Iowa, as of and for the year ended June 30, 2011, and have issued our report thereon dated February 16, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Community Based Services, a proprietary fund of Bremer County, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Community Based Services, a proprietary fund of Bremer County, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weakness have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Based Services, a proprietary fund of Bremer County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Community Based Services, a proprietary fund of Bremer County, Iowa, responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Organization's responses, we did not audit the Organization's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Organization and other parties to whom the Organization may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Community Based Services, a proprietary fund of Bremer County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
February 16, 2012

COMMUNITY BASED SERVICES
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Summary of Independent Auditor's Results

- I-A-11 Unqualified opinions were issued on the financial statements.
- I-B-11 Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- I-C-11 The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings - Financial Statements Audit

Internal Control Deficiencies:

- II-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Certain employees perform duties which are incompatible.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Organization should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The Organization should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-11 Financial Reporting – Subsequent to the issuance of the financial statements for the year ended June 30, 2010, it was determined that the Organization had mistakenly omitted the cost report settlement liability. This item is discussed in note 10 of the current year financial statements.

Recommendations – Procedures should be implemented to ensure that all liabilities are correctly reported in the future.

Response – We will do so.

Conclusion – Response accepted.

Instances of Non-compliance:

No matters were noted.

Part III: Other Findings Related to Required Statutory Reporting

- III-A-11 Questionable Expenses – No expenses that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- III-B-11 Travel Expense – No expenditures of money for travel expenses of spouses of the Organization's officials or employees were noted.

COMMUNITY BASED SERVICES
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

- III-C-11 Business Transactions – No business transactions between the Organization and Organization's officials were noted.
- III-D-11 Bond Coverage – Surety bond coverage of Organization officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.
- III-E-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-F-11 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Organization's investment policy were noted.